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4 August 1952

MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT: Accounting for Subsidy Projects

The present system of the Finance Division, Office of the Comptroller, in accounting for advances to subsidy projects is inadequate and does not permit a proper control over the use of Agency funds.

Advances are dropped to "expense" upon acknowledgement of the receipt of funds by the project representative and as a result the Agency loses control over large sums advanced to, but not expended by, the project. The basis of this procedure is that CCC plans or other plans not submitted to the CCC have provided that the write-off of the advances would be upon acknowledgement of receipt by the project, and while some of the plans do provide for periodic financial reports, such reports go to case officers and generally remain in their files. Also, there is an indication that when these reports are received they get little or no attention in some cases from the case officer concerned.

In order that a proper control may be maintained over Agency funds, it is highly desirable that the Comptroller carry on his books all Agency funds advanced until such time as there is evidence that the Agency no longer has an interest in them. Such a procedure would not preclude case officers from having access to full information on funds advanced to projects and at the same time it would insure a proper accounting for the funds.

The financial report where provided for could be sent by the Finance Division, Comptroller's Office to the case officer for review after having been entered on Agency books and properly reviewed by the Finance Division.

There is another serious objection to the present system of recording advanced funds. That objection is that it is most difficult, if not impracticable, to make an audit of subsidy projects. The audit feature has generally been ignored in plans for such projects in that the write-off period provided for in the plan attempts to fix that period as the final accounting phase of these advances.

The undersigned does not concur in such a procedure and is now reviewing all subsidy projects to determine whether an audit can be made of outstanding advances.

It is recommended that:

A. All plans for advances to subsidy or other projects provide, where practicable without violating cover, one of the following provisions

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in the priority given below:

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1. The submission of monthly accounts including expense vouchers.
 2. Audit by Agency audit personnel or by a witting non-governmental CPA firm selected by the Agency.
 3. Audit by an unwitting non-governmental CPA firm employed by the project with a copy of the audit report to be furnished this headquarters, to be supplemented by monthly financial statements referred to in (4).
 4. Periodic financial reports (monthly if warranted) showing receipts and disbursements in such detail as cover may permit.
 5. Where due to the needs of cover none of the above provisions may be included in the plan that the CCC or other planning officers provide for accounting and auditing to the greatest extent practicable within the cover required for the project.
- B. The Comptroller review advances to all active subsidy projects and call upon the case officers for any financial reports or data available that may be used in establishing a proper account in the Finance Division for such advances.
- C. Any amounts which the report or records referred to indicate as outstanding be picked up in the accounting of the Finance Division and maintained as active until appropriate reports have been received indicating that the Agency has no further financial interest in the project.
- D. Any items for which there is no financial report on hand in the Agency be the subject of a discussion between the Finance Division and the case officer with a view to determining whether there is any balance of Agency funds outstanding in the project and if so the amount thereof in order that it may be picked up in the accounts of the Finance Division.
- E. The attached memoranda addressed to DD/P, Attention: Chief of Administration, and to the Comptroller be signed and forwarded. This action has the informal concurrence of the addressees.

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Auditor-in-Chief

DM:HEW

Attachments (2)

Orig. ret'd. to Auditor-in-Chief

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Approved
/s/ L. R. White
A. Q. D/A
5 Aug

MISSING PAGE

ORIGINAL DOCUMENT MISSING PAGE(S):

Enclosure